



London Borough of Enfield

Title of Report:	Housing Revenue Account (HRA) Quarter 2 financial monitoring report 2024/25
Report to:	Cabinet
Date of Meeting:	13 th November 2024
Cabinet Member:	Cllr Ayten Guzel
Directors:	Joanne Drew, Strategic Director of Housing & Regeneration; Olga Bennett, Interim Executive Director of Resources
Report Author:	Claire Eldred, Head of Finance HRA
Ward(s) affected:	All
Key Decision Number	Non key
Classification:	Part I Public

Purpose of Report

1. To provide an update of the Housing Revenue Account (HRA) forecast outturn position for 2024/25 as at quarter 2, covering both revenue and capital expenditure associated with delivering the Council Housing service for the benefit of our tenants and leaseholders.

Recommendations

2. Recommendation to Cabinet:

- i. Cabinet is recommended to note the Quarter 2 (end of September) forecast outturn position for 2024/25 for both revenue and capital and the enhancements that have been delivered including investment in existing homes, provision of new council homes and enhancements to services based on resident feedback.

Background and Options

3. The principle of maintaining a financially sustainable Housing Revenue Account and Capital programme is imperative in the context of an ambitious housing investment and development programme. On 22nd February 2024, the 2024/25 budget for both the revenue and capital programme was approved by Council.

Executive Summary

4. The HRA is achieving the Council's objectives through the development of new affordable homes, providing good homes in well-connected neighbourhoods, improving existing housing stock to create a lifetime of opportunities in Enfield, and sustaining strong and healthy communities.
5. The report presents an overall positive position demonstrating good financial management of revenue and capital capacity to deliver the Councils priorities.
6. The HRA revenue outturn position is forecasting a pressure of £1m, compared to £0.2m pressure in quarter 1, against the approved budget. The main variances are related to one-off pressures and changes in economic assumptions:
 - a) Pressures this year due to the costs associated with decanting of Walbrook, Shropshire House and Cheshire House +£0.9m including the provision of security at these blocks
 - b) Leaseholder insurance costs are higher than estimated but will be recovered through service charges +£0.5m
 - c) Additional security at a number of blocks to provide support for anti-social behaviour +£0.85m on a full year basis
 - d) Upgrade and cloud migration for housing management system Civica CX +£0.52m
 - e) Reduction in the level of interest payable on debt due to reduced interest rates -£1.3m
 - f) Additional income from interest on HRA reserves -£0.75m
7. This year in response to resident feedback we are investing to improve the external environment of estates and communal areas by way of local improvement initiatives. As outlined above we are also piloting a roving security service in response to ASB issues in a number of blocks. Feedback on this service from residents has been positive and we will consult on this becoming a service charge for April 2025. We have also invested more in the repairs service including increasing capacity to respond effectively to cases of damp and mould and in preparation for Awaab's Law.
8. The HRA capital programme is overall on-track and forecast to spend £114.8m against the approved budget of £113.3m (inclusive of £11.5m of carry forwards from 2023/24).
9. This year we are continuing to invest in our Council homes to deliver improvement to our decency standards, comply with building and fire safety regulations and improve the energy performance of our properties.
10. In addition, we will continue to deliver new council homes through development, estate regeneration and acquisitions programme.
11. The forecast position for the level of HRA reserves as at the end of financial year 2024/25 is £41.2m, a planned reduction of £6.4m in year to fund the capital programme.

Preferred Option and Reasons for Preferred Option

12. Position on the revenue and capital accounts of the HRA are a matter of fact therefore there are no options in this regard.
13. Consideration has been given to these objectives with due regard to the financial position of the Council's HRA with a view to refreshing the overarching HRA Business Plan later in the financial year as a prelude to refreshing the Council's financial strategies.

Relevance to the Councils Plan and Strategies

14. The overarching aim of the Capital Programme is to provide a framework within which the Council's investment plans can be delivered.
15. The strategy for Council Housing is set out in the Housing and Good Growth Strategy which supports the Corporate Plan 2023-26. The objectives are to:
 - a) Deliver more and better homes
 - b) Sustain strong, healthy and safe communities
 - c) Build our local economy to create a thriving place for everyone
 - d) Ensure clean and green spaces

Revenue Forecast Outturn

16. The HRA revenue budget is forecasting an increase in spend of £1.0m against the approved budget.
17. The table below shows the forecast outturn position and total variances against budget. The movements are explained below:

Table 1

Council Housing (HRA) Revenue Monitor	Budget	Actuals to date	Forecast Outturn	Variance
	£m	£m	£m	£m
Supervision and Management	26.6	7.2	29.6	3.0
Repairs Admin & Base	17.6	7.1	17.7	0.1
Rates	0.4	0.0	0.4	0.0
Bad Debt Provision	0.7	0.0	0.7	0.0
Interest on debt & Depreciation	21.0	0.0	19.7	-1.3
Corporate & Democratic Core	0.1	0.0	0.1	0.0
Gross Expenditure	66.5	14.3	68.3	1.8
Rents Dwellings	-71.8	-30.2	-71.8	0.0
Rents Non-Dwellings	-3.3	-1.1	-3.3	0.0
Interest on HRA Balances	-0.3	0.0	-1.1	-0.8
Leaseholders Service Charges	-5.7	2.0	-5.7	0.0
Gross income	-81.1	-29.4	-81.9	-0.8
Total	-14.7	-15.1	-13.6	1.0

Supervision and Management (£3m adverse variance to budget)

18. We continue to incur planned costs on the decant of Walbrook, Shropshire and Cheshire Houses including security to mitigate building safety risks. These costs are estimated to be £0.9m this year and will be funded from reserves set aside for this purpose. The decanting of Shropshire and Cheshire Houses is progressing well, and tenants have high priority for moves and are being made direct offers where applicable.

19. Last year the insurance costs for leaseholders increased significantly, this is mainly due to limited insurance providers in the market providing this service. An increase in the estimated budget is expected for this year, however, will be fully recovered from leaseholders, through the service charges.
20. The HRA is providing additional security at a number of blocks to mitigate the impact of anti-social behaviour that is occurring and to ensure the safety and well-being of the residents. This is a short-term solution whilst we pilot the roving security patrol team, with the aim to enhance the sense of security among residents, improve the safety and wellbeing on our estates and reduce the costs of the current enhanced security measures in place. If successful this will be rolled out from 2025-26 and will be service chargeable to tenants and leaseholders in receipt of this service.
21. The housing management system Civica CX will be upgraded and the first stage of the migration to cloud hosting will be completed this year, resulting in additional costs to the HRA.

Interest on Debt (£1.3m reduction in cost)

22. Since setting the budget interest rates have come down, this has reduced the interest payments on the HRA's debt.

Interest on reserves (£0.8m increase in income)

23. The reserve levels are projected to be £20m at 31st March 2025, which is higher than estimated. This has increased the interest the HRA receives on these balances this year.
24. The HRA Business Plan has an efficiency target of £1m to be achieved this financial year, work is ongoing to achieve this target, including through:
- a) A realignment of the structure;
 - b) Better use of meanwhile stock as part of regeneration schemes to reduce costs on temporary accommodation whilst maximising income for the HRA
 - c) Investment in video technology to assist residents to undertake minor repair issues, to diagnose effectively reducing the cost of surveyors and repeat visits
 - d) Implementation of Risk Flag for the management of building safety case reports reducing officer time
25. These savings will ensure the HRA remains sustainable and remains within the recommended hurdle rate levels agreed as part of the financial framework for the HRA.

Capital Forecast Outturn

26. The HRA capital budget for the current financial year is summarised in the table below. It provides the latest forecast Q2 position compared to the original budget as advised by programme managers.

Table 2

Capital Programme	Budget	Q1 Movement	Q2 Movement	Forecast outturn	Actuals	Variance
	£m	£m	£m	£m	£m	£m
Building Safety	9.4	3.8	0.0	13.2	6.0	3.8
Decency	34.4	-13.3	0.0	21.1	5.4	-13.3

Energy Efficiency	0.5	3.5	0.0	4.0	0.7	3.5
Other Investment	2.5	2.6	0.0	5.1	1.0	2.6
Statutory Compliance	3.3	1.3	0.0	4.6	1.3	1.3
Investment programme	50.1	-2.0	0.0	48.1	14.4	-2.0
Reardon Court	2.4	-0.5	0.0	1.9	1.2	-0.5
GLA Programme	7.8	-5.1	0.0	2.7	0.2	-5.1
Joyce & Snells	9.9	2.7	0.0	12.6	2.3	2.7
Bullsmoor Lane	2.0	0.0	-1.5	0.5	0.1	-1.5
Bury Street	1.2	-0.5	0.0	0.7	0.0	-0.5
HRA Acquisitions	22.7	-2.0	0.0	20.7	7.4	-2.0
Upton & Raynham	2.2	0.0	0.0	2.2	0.0	0.0
Buybacks	10.8	-2.4	-2.0	6.4	3.5	-4.4
TA acquisitions	0.0	27.6	-13.2	14.4	2.3	14.4
Development Programme	59.0	19.8	-16.7	62.1	17.0	3.1
Alma	3.6	0.0	0.0	3.6	0.9	0.0
New Avenue	0.2	0.0	0.0	0.2	0.0	0.0
Ladderswood	0.4	0.0	0.0	0.3	0.0	-0.1
OPE self-custom build	0.0	0.5	0.0	0.5	0.1	0.5
Estate Regeneration	4.2	0.5	0.0	4.6	1.0	0.4
Total HRA	113.3	18.3	-16.7	114.8	32.4	1.5

Investment Programme (£48.1m forecast)

27. The projected forecast for the investment on existing homes has been reduced this year, to ensure the management of the HRA cash flow is maintained.

28. This year we will continue to invest in the Councils housing stock to improve decency and the condition of Council homes. In addition, the programme will achieve regulatory requirements, invest to support the retrofitting of homes reducing tenants heating costs whilst addressing the Council's climate action plan and address building safety risks all of which contribute to reducing the need for responsive repairs.

29. The decent homes improvement works will ensure we comply with the Decent Homes Standard requirements. Since April we have replaced/installed 21 boilers, 183 storage heaters, 33 kitchens, 16 bathrooms, 5 electrical re-wires, 226 doors, 41 windows, 95 roofs and 58 chimneys. Works are progressing well to achieve decency standards and meet our target of at least 90% by the end of the year.

30. We are also developing a plan to maximise homes created from existing assets through a Hidden Homes programme. A specific programme will be brought forward during the year.

31. We are continuing with our successful disposal programme which generates capital receipts to support delivery of our investment programmes and provides opportunities to residents for small builds or use of amenity areas, £1.9m has been generated to date.

Development & Regeneration Programme (£66.7m forecast)

32. This year the new homes programme continues to experience challenges arising from the current volatile market conditions and additional fire safety requirements on new developments. As a way to mitigate these risks in the short term and in order to maximise the benefits of the flexibilities around the use of RTB receipts we are achieving new homes targets by acquiring additional homes.

33. We will be looking to maximise grant income and progress acquisitions as a strategy to progress with our GLA targets. This will reduce the risk of development, as the current market is volatile and financially challenging.
34. In July, the Joyce and Snells project was successful in the planning application for 2028 homes following redesign due to the second staircase safety requirements. The project has secured over £90m in grant through the Affordable Homes Programme and £50m grant from the Land Fund to fund the leaseholder buybacks. The procurement for the enabling and PCSA works contract has been procured, with the design and deliver contract to be awarded by the end of March. A full review of the delivery options and financial position is currently underway.
35. The acquisitions programme includes the purchase of 137 new affordable homes at Alma, 27 units at Meridian Water and 20 new homes funded from RTB receipts. These units will add affordable units to the HRA stock and will generate long term rental income.
36. The projected forecast for temporary accommodation acquisitions has been reduced in this quarter to reflect the CHAPs funding bid. This budget will be used to purchase properties within the borough to house residents in temporary accommodation who under the requirements of the Localism Act must be allocated a social housing tenancy. This will reduce the temporary accommodation revenue pressures in the general fund whilst also expanding social housing stock. To date 10 properties have been purchased, with a further 26 properties expected to be purchased by the end of the financial year.
37. The regeneration programme includes the delivery of over 2000 new homes across the Alma Estate, New Avenue and Ladderswood schemes, including non-residential and community facilities. The Council is investing in large scale phased regeneration to replace poor existing housing as well as unlocking supply of new homes for low-cost home ownership for Enfield residents.

Financing the capital programme

38. Table 3 below sets out the projected financing of the 2024/25 capital programme from a combination of grants, capital receipts (sale of assets), reserves and borrowing:

Table 3

Capital programme Funding - £m	Capital Grants	Capital receipts	RTB Receipts	Major Repairs Reserve	Earmarked Reserves	Borrowing	Total
Investment	11.0	9.1	0	8.8	19.2	0.0	48.1
Development	27.8	0.1	11.7	0.0	0.0	22.5	62.1
Estate Regeneration	4.6	0.0	0.00	0.0	0.0	0.0	4.6
Total	43.4	9.2	11.7	8.8	19.2	22.5	114.8

39. The disposals programme will deliver capital receipts in excess of £2m this year. These receipts will assist in funding the capital programme.

Reserves position

40. The level of HRA reserves, after capital financing, are shown below:

Table 4

Reserves	Balance at 01/04/2024	Movement	Estimated Balance at 01/04/2025
	£m	£m	£m
HRA Balance	22.6	-4.5	18.2
Insurance	0.7	0.0	0.7
Capital reserve	1.0	-1.0	0.0
Major repairs reserve	0.2	0.0	0.2
Capital receipts	1.3	-0.2	1.2
Total	25.9	-5.6	20.3
RTB one for one receipt's	21.8	-0.8	21.0
Total Reserves	47.6	-6.4	41.2

41. The year-end reserves position has been planned to reduce this year, to fund the capital programme spend. This planned use of reserves is necessary in the short term to assist in achieving the regulatory requirements for decency and fire safety.

Financial Implications

42. Financial implications are integral to this report.

Legal Implications

43. Housing Revenue Account is a landlord account recording the revenue expenditure and income specifically relating to a local authority's own housing stock. Local authority income and expenditure on other housing services are treated differently and charged to the General Fund, as are capital transactions relating to housing.

44. Following the coming into force of Schedule 15 of the Localism Act 2011, English local authorities were required to be self-financing in relation to their housing stock, financing their housing stock from their own rent

Public Health Implications

45. Through investment in capital building and maintenance, the Council influences the built environment within Enfield significantly. The built environment in turn influences how residents interact with their environment; for example, during active travel or accessing facilities. Ensuring that our capital buildings are maintained, fit for purpose, and wellbeing considerations are taken in terms of their use, how they promote residents' wellbeing is key to contributing positively towards the public's health. Additionally, ensuring that all buildings have minimal environmental impact also contributes towards enhancing resident's wellbeing.

46. The Council moved swiftly to safeguard the health of its residents and staff during a period of threat unprecedented in living memory. As previously reported the financial implications of this have been harsh and have reached into every department in the Council. As the council is fundamental to the health of Enfield residents it needs to achieve financial balance.

47. This report notes the work that the Council is and has already undertaken and therefore in and of itself does not have public health implications.

Property Implications

48. Whilst a number of capital projects mentioned within this report have property implications, these will have been highlighted in the relevant report that authorised the project. As such, this report in itself does not have any direct property implications.

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